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97th Congress }
2d Session }

COMMITTEE PRINT

**SURVEY OF FINDINGS ON OBSTACLES TO
EXPORTING FACED BY SMALL
BUSINESSES**

**REPORT
OF THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE**



JULY 30, 1982

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U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, D.C., July 30, 1982.

DEAR COLLEAGUE: The responsibilities of the Small Business Committee's Subcommittee on Export Promotion and Market Development include evaluating the export potential and capabilities of small business, analyzing the availability and adequacy of information on overseas markets, and assessing the Federal and private sector mechanisms available to exporters. As part of that responsibility, the Subcommittee conducted a survey of practicing and potential small business exporters to ascertain the exporting obstacles faced by small firms and to find out what small business owners thought the government should do to remedy these problems.

The results of the Subcommittee's survey are fully described in the accompanying report.

The exporting obstacles cited by respondents fell into three broad categories: information problems; regulatory problems; and monetary problems. While regulatory and monetary problems were found to be impediments to exporting, the most significant problem, in the Subcommittee's view, was the lack of information essential to exporting, particularly with respect to opportunities in foreign markets. Respondents consistently said that they were unable to identify foreign customers and representatives. Moreover, they said that if such information were available, they would export. Those already exporting claimed it would help them to enlarge their markets.

Many of the businesses that responded offered suggestions on ways to remove or minimize the barriers to increasing exporting opportunities. The leading recommendation for government action to address the problems of exporting was that financial assistance be provided.

The survey results, coupled with the experience of both the Department of Commerce in developing the Small Business Export Development Assistance program pursuant to Public Law 96-481, and the Small Business Administration, will provide the basis for a continuation of the Subcommittee's work in this important area. We intend to hold oversight hearings on these matters in the near future.

Sincerely,

LOWELL WEICKER, Jr.,
Chairman,
Small Business Committee.

RUDY BOSCHWITZ,
Chairman,
Subcommittee on Export Promotion and Market Development.

WALTER D. HUDDLESTON,
Ranking Minority Member,
Subcommittee on Export Promotion and Market Development.

SURVEY OF FINDINGS ON OBSTACLES TO EXPORTING FACED BY SMALL BUSINESSES

BACKGROUND

Export growth in the United States has been negligible since approximately 1974. Of the U.S. businesses that do export, it is believed that roughly 80 percent of the total export market is controlled by only 200 firms. The Department of Commerce estimates that small business currently accounts for no more than 10 percent of total annual U.S. exports, but that at least 20,000 small firms in this country have the potential to competitively and profitably market their products overseas. Clearly, one of the greatest opportunities for reversing the "no-growth" trend in our Nation's exporting lies with tapping that potential and increasing the number of small business exporters.

The Senate Small Business Committee has been vitally concerned about the extent of small business participation in exporting, and has carefully reviewed those Federal policies and programs which have acted as an assistance or a barrier to increasing small business export opportunities. In 1979, the Senate Small Business Committee held four days of hearings on matters related to export policies, and small business participation in international markets. In April 1980, Committee hearings focused on the Carter Administration's proposed multinational trade agreements to open foreign government contracts for competitive bids, and their potential beneficial effect on small business. In September of that year, the Committee continued its investigation of small business participation in international marketing, concentrating on Government export promotion efforts.

In addition, the 1980 White House Conference on Small Business devoted one of its work sessions specifically to the appropriate role of small business in exporting, and offered five recommendations to address this issue.

As a result of these activities, the Committee identified a number of crucial factors that have precluded greater small business participation in international commerce. It became clear through testimony that for those small businesses interested in exporting, financial and procedural barriers, among others, had limited their ability to compete overseas.

In an effort to address some of these problems, the Committee developed the Small Business Export Expansion Act. This bill, which was subsequently enacted into law as P.L. 96-481:

- established within the Small Business Administration an Office of International Trade, and mandated the placement of export development specialists in each of the agency's regional offices;

- established an export revolving line of credit loan guarantee program in the Small Business Administration to provide pre-export financing assistance for eligible small businesses; and
- authorized the Department of Commerce to make matching grants to small businesses and other organizations to establish small business export development programs.

The Department of Commerce has committed \$1.8 million in fiscal year 1982 to fund, on a 50-50 matching basis, qualified grant applications, up to a maximum of \$150,000 per applicant. At least one export development program will be funded in each of the Department's regional offices. As a requirement for grant eligibility, program applicants must demonstrate, among other things, an ability to:

- counsel small businesses interested in exporting;
- provide market analyses of the export potential of a small business; and
- develop contacts with potential foreign customers and distributors for small firms and their products.

In an effort to focus further Congressional attention on the need to encourage exporting by small business, in the 97th Congress the Senate Small Business Committee established an Export Promotion and Market Development Subcommittee, chaired by Senator Boschwitz.

At the request of Senators Boschwitz, Weicker and Huddleston, the Export Subcommittee surveyed approximately 6,300 potential and practicing small business exporters. Most of the firms surveyed were selected from the Small Business Administration's Procurement Automated Source System (PASS). Although the PASS system was not established primarily to identify small business exporters, it does contain the most readily accessible list of small businesses which do export or have expressed an interest in exporting.

The two-fold purpose of the Subcommittee's survey was to ascertain what obstacles to exporting small businesses actually face, as well as those factors they perceive as impediments to their exporting activity, and to solicit suggestions as to what steps Congress could and should take to address the barriers to increased small business participation in exporting.

The following letter and questionnaire were mailed:

LOWELL WECKER, JR., CONN., CHAIRMAN
 BOB PACKWOOD, OREG.
 ORRIN G. HATCH, UTAH
 S. I. HAYAKAWA, CALIF.
 D. DY BOSCHWITZ, MASS.
 BLAKE BORTON, WASH.
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ROBERT J. DODD, STAFF DIRECTOR
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 ALAN J. DODD, GA.

United States Senate

COMMITTEE ON SMALL BUSINESS
 WASHINGTON, D.C. 20510

March 19, 1982

Mr. John Doe
 12345 Main Street
 Anytown, UNITED STATES

Dear Mr. Doe:

Exporting goods and services provides a means for expanding business and our domestic economy. Currently, only 1 percent of U.S. exporters account for 80 percent of our exports. Furthermore, the Department of Commerce estimates that over 20,000 U.S. firms do not export, even though they have the potential or ability to do so.

As Members of the Senate Small Business Committee, we believe that increased exports by small businesses can play a major role in improving our competitive position in international trade while stimulating our domestic economy. The Senate has taken the lead to encourage exporting by passing legislation to establish Export Trading Companies (ETCs) and to revise the Foreign Corrupt Practices Act (FCPA). Our committee's responsibility -- and our goal -- is to identify the problems of small business exporters and recommend action by the Senate.

This goal can be best attained with the assistance of the private sector, and we would be interested in knowing what you consider to be the major barriers to exporting other than those addressed by ETCs and the revision of the FCPA. It would be particularly helpful for you to identify existing statutory, regulatory and administrative disincentives to exporting. We would also like your thoughts on the role government can or should play in increasing small business exports. If you feel government disincentives are not major obstacles, please feel free to identify other Federally-related impediments.

We would appreciate a brief summary of (1) the reasons you don't export if you think you could; or (2) the three primary impediments to exporting, in order of priority, if you do export; and (3) what the government can or should do to remove export obstacles. We are enclosing a short questionnaire for your convenience. Please be as specific as possible and return the enclosure at your earliest opportunity.

Mr. John Doe
March 19, 1982
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We look forward to hearing from you and hope that the Senate Small Business Committee can be instrumental in removing barriers to small business exports.

Sincerely

RUDY BOSCHWITZ
Chairman
Subcommittee on Export Promotion
and Market Development

LOWELL WEICKER, Jr.
Chairman

WALTER D. HUDDLESTON
Ranking Minority Member
Subcommittee on Export Promotion
and Market Development

Enclosure

Senate Committee on Small Business
 Subcommittee on Export Promotion
 and Market Development
 United States Senate
 Washington, D.C. 20510

 Company Name and Address: _____

Person to Contact: _____

Do you currently export goods or services? ☐ Yes ☐ No

If you do export:

Do you export ☐ goods ☐ services ☐ both?

Please list the three major obstacles you face in exporting (excluding disincentives addressed by legislation establishing Export Trading Companies and revising the Foreign Corrupt Practices Act).

1.

2.

3.

If you do not export:

Please list the three major reasons why not:

1.

2.

3.

What can, or should, the government do to stimulate small business exporting?

SURVEY FINDINGS

The Subcommittee contacted 6,249 small businesses and received responses from 1,181 firms. 899 firms were engaged in exporting; 282 were not. The responses of both exporting and non-exporting firms were tabulated according to general categories. The general categories were then analyzed by subcategories to achieve as much specificity as possible.

The remainder of this portion of the Subcommittee's report presents the survey findings for the categories and subcategories identified as "Obstacles to Exporting" and "Suggested Government Action."

OBSTACLES TO EXPORTING

The firms were asked to list the three major obstacles they face in exporting, excluding obstacles addressed by legislation establishing Export Trading Companies and revising the Foreign Corrupt Practices Act. 1,116 firms identified one or more obstacles; 65 identified none.

Table 1 shows the general categories of obstacles that were identified:

TABLE 1
GENERAL OBSTACLES TO EXPORTING

GENERAL CATEGORIES	# OF RESPONSES	% OF RESPONSES
LACK OF INFORMATION	549	20.04
REGULATIONS	478	17.45
EXPENSES INCURRED	470	17.16
FINANCING	431	15.74
COMPETITION	193	7.05
ILL-SUITED FOR EXPORTING	175	6.39
U.S. GOVERNMENT	146	5.33
COMMUNICATIONS	127	4.64
ECONOMIC CONDITIONS	105	3.83
OTHER GENERAL RESPONSES	65	2.37
TOTAL	2739	100.00

Four general categories account for over 70 percent of the obstacles identified. These are:

1. Lack of information
2. Regulations
3. Expenses incurred
4. Financing

Among the obstacles cited by survey participants in the remaining 30 percent of responses were: competition, the nature of their operations, the U.S. government, communications, and economic conditions. Each of these general categories is broken down into subcategories and presented in Tables 1-A through 1-J.

LACK OF INFORMATION

Twenty percent of all the responses to the "Obstacles to Exporting" question identified problems with information as a barrier.¹ Table 1-A lists the different types of information mentioned as lacking:

TABLE 1-A

<u>SPECIFIC CATEGORIES OF LACK OF INFORMATION</u>	<u># OF RESPONSES</u>	<u>% OF CATEGORY RESPONSES</u>
POTENTIAL FOREIGN CUSTOMERS AND AGENTS	229	41.71
FOREIGN MARKETS	148	26.96
OTHER RESPONSES	72	13.11
FOREIGN DEMAND FOR PRODUCTS	34	6.19
FOREIGN REGULATIONS	24	4.37
CREDIT INFORMATION ON POTENTIAL BUYERS	18	3.28
DIFFICULTY IN OBTAINING INFO FOR ORDERS	11	2.00
GOVERNMENT SERVICES AVAILABLE	10	1.82
FINANCING	3	0.55
TOTAL	549	100.00

One of the biggest problems faced by would-be exporters is obtaining the information necessary to enter the export market. This problem is especially severe for small firms because they often lack the internal resources to research essential information. While large firms frequently have special departments geared to promoting their products overseas, most small firms lack the manpower or financial resources necessary to explore foreign markets.

¹ This 20 percent represents 39 percent of all firms regarding to the "Obstacles to Exporting" question (441 firms).

Concrete information on prospective foreign markets is essential before exporting can occur. It is particularly disturbing, therefore, that a lack of information necessary to enter the export market was the single most cited obstacle to exporting, according to both practicing and potential small business exporters.

Nearly 75 percent of the responses in this category dealt with the lack of such basic information as foreign customers and agents (42 percent); foreign markets (27 percent); and foreign demand for products (6 percent). A small businessman from Toledo, Ohio, summed up the views of many respondents:

If I could identify foreign customers for my product and if I knew where to go to locate an honest and effective agent to promote my product, I would export. The time and expense to do this doesn't seem warranted.

Thirteen percent of the responses dealt with other types of information problems. A number of responses in the "Other Responses" category cited difficulties with the Department of Commerce's Trade Opportunities Program (TOPS) bulletin. The TOPS bulletin is a publication designed to help locate foreign buyers, agents and distributors. Several respondents stated that the information the bulletin contained was often limited and untimely. Others argued that the bulletin should be more accessible, and suggested it be distributed free of charge.

Additional problems cited in this category include a lack of information on foreign regulations and foreign buyers, difficulty in obtaining information to fill orders, a lack of information on government services available, and a lack of financing information.

REGULATIONS

The second most noted obstacle to exporting involved the expense, time and paperwork required to comply with foreign and U.S. regulations. Over 17 percent of the respondents to the "Obstacles to Exporting" question cited regulations as a major deterrent to exporting.² Table 1-B lists the regulatory difficulties identified:

² This 17 percent represents 35 percent of all firms responding to the "Obstacles to Exporting" question (390 firms).

TABLE 1-B

SPECIFIC CATEGORIES OF REGULATIONS	# OF RESPONSES	% OF CATEGORY RESPONSES
TOO MUCH PAPERWORK - FOREIGN AND DOMESTIC	150	31.38
RESTRICTIVE NATURE OF FOREIGN LAWS	83	17.36
RESTRICTIVE NATURE OF U.S. REGULATIONS	63	13.18
DELAYS CAUSED BY PROCEDURAL REQUIREMENTS	53	11.09
OTHER RESPONSES	32	6.69
DON'T UNDERSTAND U.S. REGULATIONS	31	6.49
RESTRICTIVE FOREIGN CUSTOMS PROCEDURES	24	5.02
DON'T UNDERSTAND FOREIGN REGULATIONS	21	4.39
U.S. REGULATIONS ON RETURN FOR REPAIR	17	3.56
RESTRICTIVE FOREIGN EXCHANGE CONTROLS	4	0.84
TOTAL	478	100.00

Thirty-one percent of the responses in this category indicated that excessive paperwork was an obstacle to exporting. Many firms not engaged in exporting indicated that not knowing what paperwork was involved or how much of it was required, was an obstacle in itself. In addition to the cost and time factors involved in complying with various regulations, the paperwork was generally viewed by those surveyed as intimidating and confusing. A spokesman for a manufacturing firm in Pomona, California expressed it this way:

The only problem we have encountered in the past is simply the paperwork involved in the system. Getting hold of a copy of the Export Regulations without having to spend \$60 (a large amount for a small company) was difficult, and once found was somewhat confusing in its volume. In addition, the time involved in the application process -- including sending the proper paperwork to our customer, receiving it back, filling in and sending the application, etc., can be prohibitive to a small company that tries to deliver goods within 60 days of the order.

Second on the list of regulatory problems cited in the survey was the restrictive nature of foreign laws and regulations. Some survey participants said they were simply unable to understand the complexities of foreign regulations, while others wrote that the different documentation required by different countries was a hindrance.

Regulation of exports by the U.S. government was mentioned as an obstacle in 13 percent of the responses in this category. The major source of U.S. regulations is the Export Administration Act of 1969, which is enforced by the Department of Commerce. The Act requires exporters of certain products to obtain licenses. Many respondents said that the licensing requirements were too restrictive and the process itself too drawn out. A manufacturer in Woburn, Massachusetts wrote with regard to the Commerce Department regulations:

The long amount of time to receive a documented response from the Department of Commerce is inexcusable. It is quite possible to lose orders because one cannot respond to the customer with information they require in time for their needs. Net result: business goes to a foreign competitor.

Export Licensing -- it is difficult to obtain the necessary information from the Department of Commerce to determine whether a product requires a license or not.

Have you ever tried to read through the Export Administration Regulations? One needs a Ph.D in abstract philosophy to understand it. This is the document intended to help you comply with the Regulations.

Other respondents objected to U.S. boycott policies and still others complained about shipping and packaging requirements.

Delays caused by procedural requirements were also mentioned as an obstacle by those concerned about regulations. A number of respondents had difficulties with U.S. Customs regulations which require that U.S. firms post bonds obtained from surety companies when receiving American-made goods returned for repair. These surety companies frequently require 100 percent collateral. Most small firms are ill-equipped to meet such staggering collateral requirements.

EXPENSES INCURRED

Expenses incurred in exporting products overseas was identified as the third most significant obstacle (by 17 percent of respondents) to exporting.³ Table 1-C breaks down the types of expenses listed.

³ This 17 percent represents 34 percent of all firms responding to the "Obstacles to Exporting" question (375 firms).

TABLE 1-C

SPECIFIC CATEGORIES OF EXPENSES INCURRED	# OF RESPONSES	% OF CATEGORY RESPONSES
FOREIGN TARIFFS (DUTIES & VALUE ADDED TAX)	136	28.94
TRANSPORTATION/SHIPPING EXPENSES	132	28.09
PROMOTION/MARKETING EXPENSES	79	16.81
TRAVEL/COMMUNICATION EXPENSES	37	7.87
OTHER RESPONSES	27	5.74
BROKER/REPRESENTATIVE FEES	23	4.89
ADMINISTRATIVE EXPENSES	16	3.40
FOREIGN TRADE FAIRS	12	2.55
INSURANCE EXPENSES	8	1.70
TOTAL	470	100.00

The expenses listed in the table fall into two basic groups. Expenses incurred for foreign tariffs, broker/representatives fees, and foreign trade fairs are solely related to exporting. (These expenses account for 36 percent of the responses in the "Expenses Incurred" category.) On the other hand, transportation/shipping expenses, promotion/marketing expenses, administrative and insurance expenses are costs normally associated with producing and selling a product anywhere. (These comprise 58 percent of the responses.) Yet the fact that normal operating expenses were listed indicated that they are a factor in the decision to export. Clearly, for some business owners, the combination of normal operating expenses and export-related expenses are enough to make the cost of exporting too high a price to pay.

Although current tariffs are roughly equal among the major industrial nations and relatively low when compared to those of the past, many small businesses still perceive them as being excessively high and a barrier to exporting. Twenty-nine percent of the responses citing expenses as an obstacle specifically mentioned problems with foreign tariffs and add-on taxes. A firm in Warwick, Rhode Island for example, said that Canadian tariffs and add-on taxes increased the cost of their product 37 percent over the cost of the same item produced by a Canadian competitor.

Transportation and shipping costs were listed as obstacles in 28 percent of the responses concerned with expenses. A plastics manufacturing executive in Jackson, Michigan expressed concern about "high customs clearance charges, insurance and

freight charges, ocean freight packaging, reconsignment charges, and fuel adjustments costs." The vice president of a small firm in Rosemead, California characterized these as "the hidden charges" associated with export shipping.

Seventeen percent of the responses in the expenses category referred to the high and often prohibitive cost of promoting and marketing their products. It was generally agreed that market penetration is impossible without proper product promotion. Yet many potential as well as actual exporters said that the expense necessary to promote their products would not justify the return on the investment.

Comments concerning foreign trade fairs represented 2.5 percent of the responses regarding expenses. The high cost of participating in foreign trade fairs and the lack of financial support for participants by the U.S. government were the primary concerns expressed. In addition, responses indicated a general view among survey participants that U.S. trade fairs are inferior to their foreign counterparts and that other nations do more to promote their own products than does the United States.

While cited in less than 2 percent of the responses concerning expenses, strong views were expressed about high insurance costs. Particular concern was voiced over the substantial increase in the Foreign Credit Insurance Association's (FCIA) insurance premiums. The president of a wood products company in Los Angeles said that he dropped his policy because the FCIA raised the minimum premium tenfold. "That would be an incredible cost for us to bear," he wrote, "and is one of the major contributing blows to our export program."

FINANCING

Almost 16 percent of the responses to the "Obstacles to Exporting" question noted problems with financing.⁴ Table 1-D lists the kinds of financing problems cited by this 16 percent:

⁴ This 16 percent represents 34 percent of all firms responding to the "Obstacles to Exporting" question (376 firms).

TABLE 1-D

SPECIFIC CATEGORIES OF FINANCING	# OF RESPONSES	% OF CATEGORY RESPONSES
DIFFICULTY IN GETTING PAYMENTS	134	31.09
OBTAINING CREDIT/BANKING INEFFICIENCIES	87	20.19
INADEQUATE CAPITAL	72	16.71
HIGH COST OF MONEY	34	7.89
OTHER RESPONSES	32	7.42
TOO GREAT A FINANCIAL(RISK	25	5.80
LACK OF TAX INCENTIVES	21	4.87
FINANCING IS TOO COMPLICATED	8	1.86
LACK OF FINANCIAL ASSISTANCE	8	1.86
BONDING REQUIREMENTS	5	1.16
CASH FLOW PROBLEMS	5	1.16
TOTAL	431	100.00

Financing problems fell into two categories: 51 percent cited practical, everyday business problems such as getting payments, obtaining credit, and dealing with banking inefficiencies; and 30 percent cited problems more related to taking on a new venture, such as inadequate capital, high cost of money and lack of tax incentives. Separately or collectively, all of these financing problems become obstacles to exporting.

Thirty-one percent of the responses in this category cited difficulty in obtaining payments. Respondents said payments were often difficult to arrange, and invariably were subject to lengthy time delays. An executive with a small firm in West Warwick, Rhode Island gave this example:

There is a prolonged period of time from shipping point to the time payment is received. For example a shipment is sent to a forwarding agent for consideration which takes approximately two (2) weeks. Then normally shipped by sea carrier which takes two to three weeks and another one to two weeks to clear foreign customs. By the time the customer receives the goods six to eight weeks pass and if he pays for goods in 30 days the draft usually

takes one week to arrive and two weeks to clear domestic banks. As you can see it takes approximately three (3) months from time of shipment to receipt of payment, if customer pays in 30 days.

Banking inefficiencies that make obtaining credit a problem were listed in 20 percent of the responses in the financing category. For the most part, the comments indicated that the banking community has been unresponsive to the financing needs of small businesses.

The following comments from business executives around the country are representative:

- Andover, Massachusetts: "The banking community is not oriented towards servicing small companies in overseas transactions. Bank regulations should allow the smaller banks to handle overseas business so there is more competition for the market..."
- Oak Brook, Illinois: "In processing Letters of Credit, some banks deliberately stall payments as much as 30 to 45 days."
- Anaheim, California: "Banks do not normally accept foreign receivables as security for lines of credit even when covered by irrevocable letters of credit, except in special circumstances and only in a few countries."
- Wellesley, Massachusetts, from the president of a small firm who recounted his experience with a foreign customer who required a letter of credit from a U.S. bank as a counter-guarantee for partial prepayment. "It was almost impossible to obtain such a letter of credit until I pledged all of the company's assets and my personal assets to a bank as collateral."

Seventeen percent of the responses dealing with financing mentioned inadequate capital as a problem. While this is not an exporting problem per se, the need for capital is increased if exporting is to occur. Most respondents concerned about a dearth of capital said that they had a hard enough time maintaining existing domestic operations and that expansion to foreign markets would place an additional, if not prohibitive, burden on their already dwindling resources. As the vice president of a paper products firm in Minneapolis, observed:

The recent (5-7 years) economic climate has forced many small businessmen into a crisis management mode, where survival in the marketplace has replaced thoughts of expanded sales/distribution. Already limited sales expense budgets restrict efforts outside the immediate marketplace.

Other financing problems mentioned included the high cost of money, the increased financial risk of exporting, the lack of tax incentives, the complicated nature of financial requirements, the lack of experience, and bonding requirements that are associated with exporting.

COMPETITION

Competition, both foreign and domestic, was named as a barrier in 7 percent of the responses to the "Obstacles to Exporting" question.⁵ The types of competition specifically mentioned are listed in Table 1-E:

TABLE 1-E

SPECIFIC CATEGORIES OF COMPETITION	# OF RESPONSES	% OF CATEGORY RESPONSES
FROM FOREIGN FIRMS	95	49.22
FOREIGN GOVERNMENT SUBSIDIES	41	21.24
OTHER RESPONSES	39	20.21
FROM U.S. FIRMS AT HOME & ABROAD	18	9.33
TOTAL	193	100.00

Seventy percent said competition from foreign firms and subsidies by foreign governments gave overseas firms an unfair advantage, while still others cited the lower cost of domestic labor abroad as a factor giving foreign companies the competitive edge. A wire manufacturer in North Carolina said that one of his major barriers to exporting was "the fact that many foreign countries subsidized their businesses involved in exporting and the United States does not." The Chairman of the Board of a firm in St. Paul, Minnesota expressed his views on foreign competition this way: "On a 100 yard dash, all other countries are starting 50 yards up the field and we have to start from the starting point."

OPERATION ILL-SUITED FOR EXPORTING

Over 6 percent of the responses to the "Obstacles in Exporting" question stated that they either did not export at all or did not expand their exports because their operation was ill-suited to do so.⁶ The reasons given are listed in Table 1-F:

⁵ This 7 percent represents 16 percent of all firms responding to the "Obstacles to Exporting" question (175 firms).

⁶ This 6 percent represents 14 percent of all firms responding to the "Obstacles to Exporting" question (154 firms).

TABLE 1-F

SPECIFIC CATEGORIES OF OPERATION ILL-SUITED TO EXPORTING	# OF RESPONSES	% OF CATEGORY RESPONSES
LACK OF EXPERIENCE/EXPERTISE	65	37.14
NATURE OF PRODUCT	48	27.43
LACK OF MANPOWER	23	13.14
OTHER RESPONSES	15	8.57
LIMITED PRODUCTION	12	6.86
GEOGRAPHICAL LOCATION	12	6.86
TOTAL	175	100.00

Over 50 percent of these responses indicated that a lack of experience or a lack of manpower inhibited their ability to export. A number of respondents said they would be likely to become involved in exporting if only they knew how to go about it. The director of an industrial firm in Willimantic, Connecticut suggested that ignorance is a major obstacle to exporting. "How many small U.S. businessmen," he asked, "know how to obtain payment from an overseas customer?" The owner of a research firm in Assonet, Massachusetts contended that "lack of confidence is the primary reason for not exporting."

An additional 34 percent of these responses indicated that their operation was ill-suited to exporting because of the nature of their product or their limited production capacity. The geographical location of the business was also considered an obstacle to exporting in some cases.

U.S. GOVERNMENT

While less than 6 percent of the responses to the "Obstacles to Exporting" question identified problems with the U.S. government as their reason for not exporting, those who did respond in this category were forceful.⁷ Table 1-G catalogues these responses:

⁷ This 5 percent represents 11 percent of all firms responding to the "Obstacles to Exporting" question (126) firms.

TABLE 1-G

SPECIFIC CATEGORIES OF U.S. GOVERNMENT	# OF RESPONSES	% OF CATEGORY RESPONSES
LACK OF ASSISTANCE - U.S. GOVERNMENT AGENCIES	39	26.71
LACK OF AID FROM U.S. GOVERNMENT OVERSEAS	33	22.60
LACK OF ASSISTANCE FROM COMMERCE	26	17.81
LACK OF ASSISTANCE FROM EX-IM BANK/FCIA	17	11.64
LACK OF U.S. SPONSORED TRADE FAIRS	13	8.90
OTHER RESPONSES	12	8.22
LACK OF ASSISTANCE FROM SBA	6	4.11
TOTAL	146	100.00

The lack of assistance from U.S. government agencies generally, their offices overseas and from the Commerce Department, the Ex-Im Bank and SBA in particular, accounted for 83 percent of the obstacles identified in this category. The responses ranged from a perceived lack of coordination among agencies regarding export licensing requirements to the perception that agency personnel did not want to accept responsibility for decisions in general.

Twenty-three percent of the responses cited problems with government agencies overseas. A spokesman for a company in Pensacola, Florida thought overseas agencies were understaffed:

While we have a great number of dedicated, intelligent and experience trade commissioners overseas, they are totally understaffed and can offer only token assistance in either analyzing or penetrating the markets to which they are assigned.

An executive of an international sales company in Racine, Wisconsin held the view that U.S. embassies and consulates were not interested in assisting small firms. It was his experience that "these people only have time for large companies that can show a large return." This perception of a preference toward big business by the government was a frequently voiced concern.

While 27 percent of the responses mentioned problems with Federal agencies in general, nearly 18 percent of the responses specifically identified the Department of Commerce as a source of difficulty. The lack of assistance for small firms was the concern that was expressed most often. As a spokesman for a

manufacturing company in Springfield, Massachusetts wrote:

I truly believe the Department of Commerce is more interested in helping the 1 percent of exporters to increase to 90 percent of all exports. As long as the Department of Commerce is working hard to get more million and billion dollar contracts for ITT and General Motors, what is the chance of them helping small business.

Similar concerns with the Ex-Im Bank were expressed by the director of an international marketing firm in Winona, Minnesota:

In contrast with other industrialized countries, U.S. industry, in general, is not being helped in efforts to compete in the world marketplace insofar as Ex-Im Bank resources are absorbed mainly by project financing, turnkey projects, aircraft and similar major packages. Medium and small transactions have little chance of being supported by Ex-Im Bank financing.

The remainder of these responses mentioned the lack of U.S. sponsored trade fairs and other factors as obstacles to exporting. Several respondents noted difficulties with the State Department relating to licensing regulations and delays.

COMMUNICATIONS

Almost 5 percent of the responses to the "Obstacles to Exporting" question related to communications problems.⁸ The specific problems identified are listed in Table 1-H:

TABLE 1-H

SPECIFIC CATEGORIES OF COMMUNICATIONS	# OF RESPONSES	% OF CATEGORY RESPONSES
LANGUAGE BARRIER	54	42.52
OTHER RESPONSES	29	22.83
TIME DELAY IN COMMUNICATIONS	25	19.69
CULTURAL DIFFERENCES	19	14.96
TOTAL	127	100.00

The language barrier was the primary communications obstacle indicated by the responses. U.S. firms desiring to sell their products overseas generally must deal with a different language in each foreign country. The lack of compulsory foreign language training in U.S. schools imposes special problems for U.S. firms. The president of a plastics company in Burnsville, Minnesota wrote:

⁸ This 5 percent represents 10 percent of all firms responding to the "Obstacles to Exporting" question (113 firms).

Major problems stem from our inability to find bilingual people to speak to the customers via a conference call to translate our letters into our customer's language or vice versa.

Cultural differences and time delays were cited by a smaller percentage of the respondents impediments to communication.

ECONOMIC CONDITIONS

Overall economic conditions were cited as an obstacle to exporting in approximately 4 percent of the responses. Specifics are listed in Table 1-I as follows:⁹

TABLE 1-I

SPECIFIC CATEGORIES OF ECONOMIC CONDITIONS	% OF RESPONSES	% OF CATEGORY RESPONSES
STRONG U.S. DOLLAR (EXCHANGE RATES)	71	67.62
FLUCTUATION OF U.S. DOLLAR	16	15.24
OTHER RESPONSES	13	12.38
ECONOMIC RECESSION ABROAD	5	4.76
TOTAL	105	100.00

As is evident from the above, problems caused by the strong U.S. dollar was the major concern. A spokesman for a weaving company in Mt. Desert, Maine, wrote as follows:

We are not able to compete pricewise in our particular market when the dollar is strong as our product is very labor intensive and competes with similar items from countries with lower labor costs.

An executive of a small firm in San Gabriel, California, complained about the general economic conditions when he wrote:

We have higher operating costs than our overseas competitors due to higher labor rates, higher cost of money and inability to finance cost reductions because of cost and availability of credit.

⁹ This 4 percent represents 9 percent of all firms responding to the "Obstacles to Exporting" question (101 firms).

OTHER GENERAL RESPONSES

Table 1-J lists the remaining general topics identified in over 2 percent of the responses:¹⁰

TABLE 1-J

SPECIFIC CATEGORIES OF OTHER GENERAL RESPONSES	# OF RESPONSES	% OF CATEGORY RESPONSES
NO PROBLEMS	45	69.23
OTHER RESPONSES	11	16.92
NOT INTERESTED	5	7.69
WHOLE PROCESS TOO COMPLICATED	4	6.15
TOTAL	65	100.00

¹⁰ This 2 percent represents 6 percent of all firms responding to the "Obstacles to Exporting" question (65 firms).

SUGGESTED GOVERNMENT ACTION

The firms surveyed were asked the following question: "What can, or should, the government do to stimulate small business exporting?" Of the 1181 small businesses responding to the survey, 878 made one or more suggestions; 240 made none. The following discussion of recommended government actions deals solely with the responses to the "What Government Should Do" question.

Table 2 breaks down the responses in this section.

TABLE 2

SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING

GENERAL CATEGORIES	# OF RESPONSES	% OF RESPONSES
FINANCING	379	26.17
PROVIDE EXPORTING INFORMATION	233	16.09
PROVIDE MORE OUTREACH	211	14.57
CHANGE AND SIMPLIFY REGULATIONS	206	14.23
IMPROVE/CONTINUE EXISTING AGENCY SERVICES	164	11.33
ESTABLISH RECIPROCAL TRADING ENVIRONMENT	127	8.77
GET U.S. ECONOMIC HOUSE IN ORDER	42	2.90
DON'T KNOW	33	2.28
REMOVE GOVERNMENT'S PRESENCE	24	1.66
DO NOTHING	17	1.17
COMMUNICATIONS	12	0.83
TOTAL	1448	100.00

Five general categories accounted for over 82 percent of the suggested government actions. Respondents to these categories believe the government should:

1. Provide More Financing
2. Provide Exporting Information
3. Provide Outreach Programs
4. Simplify Regulations
5. Improve Existing Federal Services

Of these five categories, financial assistance topped the list with 26 percent of the responses, while the other four non-financial suggestions represented 56 percent of the responses. Other suggestions ranged from doing nothing to establishing reciprocal trading environments. Tables 2-A through 2-G represent the sub-categories of the main five categories as well as the sub-categories dealing with the establishment of reciprocal trading environment; the remaining general categories are not presented in separate tables.

FINANCING

Twenty-six percent of the respondents to the "What Government Should Do" question said that the government should render some sort of financial assistance.¹¹ Table 2-A lists the types of financial assistance suggested:

TABLE 2-A
SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING
BROKEN DOWN BY GENERAL CATEGORIES

SPECIFIC CATEGORIES OF FINANCING	# OF RESPONSES	% OF CATEGORY RESPONSES
OTHER TAX INCENTIVES/ SUBSIDIZE EXPORTS	155	42.58
EXPAND/HELP PARTICIPATION IN TRADE FAIRS	75	20.60
PROVIDE LOW INTEREST LOANS	39	10.71
PROVIDE CREDIT/RISK INSURANCE PROGRAMS	34	9.34
GUARANTEE PAYMENTS TO U.S. SELLER	30	8.24
GENERAL RESPONSE	27	7.42
PROVIDE BID PERFORMANCE BOND PROGRAM	4	1.10
TOTAL	364	100.00

Nearly 43 percent of these responses suggested that tax incentives or subsidies be instituted for exporters. The president of an engineering firm in Spartansburg, South Carolina offered this analogy:

¹¹ This 26 percent represents 35 percent of all firms responding to the "What Government Should Do" question (311 firms).

The government should look upon exporting as its business. Government should then look upon its export performance (surplus/deficit) as a measure of its success in that business. It must provide incentives (an expense) in the form of loss of revenue as necessary to generate expanded exports (sales). Associated revenue from corporate and personal taxes (income) are thereby increased so that a net increase in revenue (profit) results.

And the president of a manufacturing company in Knoxville, Tennessee made this argument for federal subsidies:

Being realistic, the government should either directly or indirectly subsidize exports without a bunch of red tape so small companies can meet the incentive requirements without high priced outside consultants/lawyers. Every government in the world subsidizes exports and we should stop hiding our "head in the sand" -- it's a known fact by every exporter.

A spokesman for an instruments company in Sunnyvale, California was even more direct. It was his belief that "the U.S. Government should eliminate or at least greatly reduce taxes on all foreign sales." Finally, the president of a textile machinery firm in Greenville, South Carolina thought the government should "grant each manufacturer a tax credit for some amount that will be designated for research and development for specific products to be sold off-shore."

Over 20 percent of the "Financing" responses recommended governmental assistance in sponsoring and financing participation in trade fairs. The head of a manufacturing firm Indianapolis, wrote:

Other governments around the world actually assist their exporting businesses to sell their products by subsidizing foreign trade show exhibit space, arranging on the spot interpreters, reduced travel fares, etc... If the U.S. government wants to do anything to help us, it should help us sell our products by making it easier for us to get to the buyer ourselves.

The president of a small firm in Mountain View, California suggested that the government "subsidize a small business' trade show expenses the first few times it exhibits."

Others interested in trade fairs recommended that the government more actively promote them in the United States. A spokesman for a monitoring devices company in Watertown, Massachusetts thought location important: "I think the government should run trade shows in U.S. cities like Boston where companies meet with representatives at minimal cost." An executive of an hydraulics firm in New Haven, Connecticut suggested the government "bring foreign buyers into this country on military trips."

Almost 11 percent of the responses advocating financial assistance said the government should provide low interest loans to exporting small businesses. Some respondents recommended making loan guarantees available in accordance with ordinary credit standards; others suggested making it easier to get credit guarantees.

Nine percent of the responses citing the need for Federal financial assistance recommended that the government provide better credit/risk insurance programs. Comments ranged from a recommendation that the government provide affordable export insurance for small businesses to a plea for expanding the services provided by the Foreign Credit Insurance Association (FCIA). The president of a small firm in Georgetown, South Carolina suggested that in addition to providing insurance guarantees, the FCIA also provide "bid bond and performance guarantees." In fact, 1 percent of those responding to this section of the questionnaire recommended that the government provide bid performance bonds.

EXPORTING INFORMATION

Sixteen percent of the responses to the "What Government Should Do" question recommended government assistance in providing export information.¹² Table 2-B itemizes the types of information assistance recommended.

TABLE 2-B

SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING BROKEN DOWN BY GENERAL CATEGORIES

SPECIFIC CATEGORIES OF PROVIDE EXPORTING INFORMATION	# OF RESPONSES	% OF CATEGORY RESPONSES
INFORMATION ON LOCATING FOREIGN BUYERS	147	63.09
GENERAL RESPONSE	35	15.02
FREE INFORMATION FOR SMALL BUSINESSES	20	8.58
PROVIDE FOREIGN IMPORTERS WITH INFO	14	6.01
PROVIDE MORE TIMELY INFORMATION	7	3.00
FOREIGN EXPORT REGULATION INFORMATION	6	2.58
CLARIFY EXISTING INFORMATION	4	1.72
TOTAL	233	100.00

¹² This 16 percent represents 25 percent of all firms responding to the "What the Government Should Do" question (220 firms).

The clear preference of this group (63 percent of these responses) was for more government assistance in locating foreign customers. Suggestions for providing this information includes:

- Downers Grove, Illinois: "A listing of employees in U.S. embassies and consulates should be made available to small businesses interested in contacting these people for potential markets and lists of potential customers and agents..."
- Dayton, Ohio: "Publish a directory, by product and/or service, of overseas firms interested in procuring particular products and/or services from the best source..."
- St. Paul, Minnesota: "Create a database with information from embassy staffs, available to small business through a computer communication network like "the Source" in McLean, Virginia, and designed to pull out the customer for one specific service without going through reams of irrelevant data..."

The president of a small company in Centerbrook Connecticut, summed up the sentiments of many:

What I am saying is help me find customers, supply me with information on methods to handle paperwork and collection procedures, and I will start exporting.

Within the 15 percent general responses, respondents noted the need for different types of information to assist in exporting. A spokesman for an information systems in Athens, Georgia wrote:

The government should provide information booklets that would provide the needed information as to how; what rules must be followed; what tax rules must be met, etc. Hiring a lawyer or CPA to handle that is out of reach for most small business.

An executive with a fixture company in Germantown, Wisconsin argued for more information concerning foreign trade shows:

All our export business has been a result of exhibiting at trade shows. We would pay to know what foreign exhibitions are being held, where, who the prior exhibitors were, and the business of the attendees.

The head of a small company in Rosemead, California, wrote that he believes there is a need for "more accurate information relative to all the multitude of costs involved in overseas shipments." A spokesman for a firm in El Monte, California suggested the government provide credit information on potential customers: "We feel that the government should be able to set up some type of credit information service such as the one Dun and Bradstreet operates, so that the small exporter can get credit information regarding his potential customer before shipping the order and possibly getting stuck for the money." An executive with a small company in Tucson, Arizona suggested the government "prepare a 'package' and make it easily available to small businesses, detailing all the things one must do to export, including sample completed forms, names and addresses, as well as phone numbers, of government persons and officers to contact to get started properly."

Almost 9 percent of the responses citing a need for government assistance in providing information recommended that the information should be made available free of charge. A spokesman for an industrial machining company in Jonesboro, Arkansas wrote:

We suggest the TOPS and World Traders Data Report programs be free for a small business. This could be accomplished by making TOPS available through local libraries, college libraries, or small business development centers. I feel certain small companies would not mind sharing the information if it were received in a timely manner.

Finally, 7 percent of respondents recommended that information be furnished in a more timely manner and that it be provided in a more understandable format.

PROVIDE MORE OUTREACH

Over 14 percent of the responses to the "What Government Should Do" question recommended a more active role for the federal government in promoting this country's exports.¹³ The suggested areas for government outreach are listed in Table 2-C:

¹³ This 14 percent represents almost 21 percent of all those responding to the "What Government Should Do" question (188 firms).

TABLE 2-C

SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING
BROKEN DOWN BY GENERAL CATEGORIES

SPECIFIC CATEGORIES OF PROVIDE MORE OUTREACH	# OF RESPONSES	% OF CATEGORY RESPONSES
CONDUCT SEMINARS ON HOW-TO EXPORT	74	35.07
INCREASE LOCAL ASSISTANCE CONTACTS	41	19.43
HELP PROMOTE & MARKET AMERICAN PRODUCTS	38	18.01
GENERAL RESPONSE	36	17.06
ENCOURAGE EXPORT TRADING COMPANIES	22	10.43
TOTAL	211	100.00

Thirty-five percent of the responses in this group suggested the government hold seminars on how to export. The suggestion of an executive with a manufacturing firm in Atlanta, was typical:

I think the government should give clear cut seminars explaining the following: How to export? Who to call on? Which countries are the best for our types of products? What types of financial arrangements must be made? Which types of financing are the best for us? How do we reach our market? Is it better to go through manufacturing representatives or establish a sales force? Language requirements? How do we get started? What about all the paperwork? All these questions keep us from exporting.

A spokesman for a manufacturer in Andover, Massachusetts, suggested the government "run educational programs through the Department of Commerce. This is badly needed," he wrote, "because a small company is at the mercy of its broker!" A small businessman in Wooster, Ohio, recommended the government "be more attentive to the needs of the small business, and hold meetings around the country to get input." And, a spokesman for a plastics firm in Boca Raton, Florida, asked pointedly that the seminars be given by people who have actually exported, "not by government workers. This is like the blind leading the blind," he wrote.

Over 19 percent of the responses of this group suggested that the government increase the number of local contacts who could assist small business in exporting. A small businessman in Woodbridge, Connecticut, encouraged the government to "organize and set up a liaison program with local, city and state officials

to have some seminars or lectures for small businesses on a first come, first serve basis."

Suggestions for government assistance to promote and market American products accounted for 18 percent of the responses in this category. The suggestions included:

- More aggressive trade shows;
- An "Export Month" nationwide campaign; and
- A concerted effort to encourage small firms to 'think' about exporting.

The 17 percent of general responses included other suggestions for government outreach:

- Establishment of a 'hot line' for novice and inexperienced exporters to help handle foreign requests; provide step-by-step advice on how to handle shipments, and other parts of the exporting process;
- Development of video-tape show capabilities and translation services so that materials can be properly explained to potential customers;
- Implementation by the government of a program where the government "acts as a broker" to put buyer and seller together;
- Creation of a knowledgeable, down-to-earth task force, well publicized, to meet with small businesses on an individual and timely basis to help develop methods, markets, and contacts quickly.

In addition, the head of a firm in Willimantic, Connecticut wrote:

I feel that one of the ways in which the government and its services can help the small business company to export is an expansion of the commercial attaches and government employees with a thorough understanding of the how, why and wherefore of international trading. Most small companies have to rely on overseas trading with the help of a good agent in the country with which you wish to deal. Finding these good agents is not only difficult but an almost impossible task for a small company. If the commercial officers of our embassies' trade missions could select reputable and suitable agents, I feel it would not only enable but encourage the smaller business firm to engage in international trade.

CHANGE AND SIMPLIFY REGULATIONS

Fourteen percent of the responses to the "What Government Should Do" question said the U.S. exporting regulations should be either simplified or modified, or both.¹⁴ Table 2-D gives the different subcategories of responses:

TABLE 2-D

SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING
BROKEN DOWN BY GENERAL CATEGORIES

SPECIFIC CATEGORIES OF CHANGE AND SIMPLIFY REGULATIONS	# OF RESPONSES	% OF CATEGORY RESPONSES
GENERAL RESPONSE	80	38.83
REDUCE U.S. PAPERWORK REQUIREMENTS	45	21.84
IMPROVE PRODUCT TRANSPORT PROCEDURES	28	13.59
REDUCE EXPORT RESTRICTIONS	24	11.65
ENCOURAGE FOREIGN PAPERWORK REDUCTION	11	5.34
ASSIST IN COMPETING WITH FOREIGN REGULATIONS	9	4.37
ENCOURAGE GOVERNMENT TO BUY U.S. PRODUCTS	9	4.37
TOTAL	206	100.00

Nearly 39 percent of the general responses suggested that regulations should be revised and simplified. The complexity of existing regulations was a recurring theme, as demonstrated by the following comments:

The director of a manufacturing company in Cleveland Ohio, wrote;

As Thoreau said: 'simplify, simplify, simplify.'
Make programs simple, not more difficult than
marketing domestically.

A spokesman for a small firm in Minneapolis agreed: "Provide information and simplified guidelines, simplify government contract forms and open contract bids, particularly on exports." The

¹⁴ The 14 percent represents almost 21 percent of all those responding to the "What Government Should Do" question (182 firms).

president of a technology firm in Sunnyvale, California, suggested the government "simplify the rules and regulations on exporting small quantities of low technology items." The vice president of a small company in Springfield, Vermont, recommended an "explanation of rules and regulations in a layman's language because small businesses do not have large staffs to study complicated forms and regulations." The sales manager of a recording equipment company in Westborough, Massachusetts, thought that a "reclassification and simplification of Schedule B numbers so as to end up with only a very few general categories" would encourage greater exporting because it would "eliminate the redundancy and confusion which now exists in such a large number of entries."

Almost 22 percent of the responses advocating changes in exporting regulations specifically suggested reducing U.S. paperwork requirements. The general manager of an engineering company in Chatsworth, California, recommended that the government "cut down the paperwork involved with orders of less than \$10,000." Simplify the procedures," he wrote, "so that brokers do not have to get involved most of the time." A spokesman for a computer firm in Brookfield, Connecticut, thought paperwork unnecessarily repetitive:

Small companies should be able to export without having to hire a professional in exporting just to handle the paperwork. Filing of license applications is so repetitious. It seems to me that companies could have their products registered and categorized and not have to answer the same questions over and over again in detail every time it is necessary to obtain a license.

About 14 percent of the respondents recommended improving the regulations and procedures governing the transport of products. A spokesman for a chemical firm in Anaheim, California, thought "some rules for shipping hazardous materials should be established, but they should make sense." Several people suggested changes in U.S. customs regulations governing the return of U.S. made products for repair. The comments of an executive with a mechanical instruments firm in San Diego were typical:

Our difficulties in exporting relate primarily to State Department regulations. The major headache is obtaining licenses for repairs with the associated delays. We presently obtain an export license approval for shipment of units. Upon receipt by customer there may be a malfunction due to shipping damage, improper handling, or premature failure components. The customer returns the instruments and we must apply for a temporary import license, Form DSR-61, in order to correct the deficiencies.

The customer is normally in a hurry to obtain the repaired unit; however, it may take an average of four (4) weeks just to obtain State Department approval. (This approval is required even though a previous license had been issued).

These delays have prompted some customers to seek other means of repair and/or to purchase future instruments from other countries.

Almost 12 percent of these responses suggested some action to reduce export restrictions. The president of a computer firm in Tempe, Arizona, reflected the views of many when he suggested that Federal agencies "review export license restrictions more often to assure that the controls are realistic."

Others recommending regulatory changes urged the government to encourage foreign paperwork reduction, to assist businesses in complying with foreign regulations, and to encourage the government itself to buy U.S. products.

IMPROVE/CONTINUE EXISTING AGENCY SERVICES

Eleven percent of the responses to the "What Government Should Do" question recommended either continuing or improving existing agency services.¹⁵ Table 2-E lists the subcategories of these responses:

TABLE 2-E

SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING BROKEN DOWN BY GENERAL CATEGORIES

SPECIFIC CATEGORIES OF IMPROVE/ CONTINUE EXISTING AGENCY SERVICES	# OF RESPONSES	% OF CATEGORY RESPONSES
GENERAL RESPONSE	50	30.49
DEPARTMENT OF COMMERCE	45	27.44
EMBASSIES/CONSULATES	34	20.73
EX-IM (FCIA)	17	10.37
SMALL BUSINESS ADMINISTRATION	9	5.49
REGISTER FOREIGN SALES REPS AT EMBASSIES	5	3.05
U.S. CUSTOMS SERVICES	3	1.83
EXISTING AID SERVICES	1	0.61
TOTAL	164	100.00

¹⁵ This 11 percent represents 17 percent of all firms responding to the "What Government Should Do" question (152 firms).

Over 30 percent of the suggestions relating to existing agency services were general in nature. A sample of these responses includes:

- A small businessman in Irvine, California, suggested the government "behave in a cooperative manner towards exporters instead of presenting obstacles at every turn."
- The Chairman of the Board of a communications company in Reno, Nevada, suggested the government "treat the small company in a manner similar to the way Boeing, General Electric, and AT&T are treated."

A number of respondents suggested the establishment of some sort of clearinghouse for small business exporters. A small business owner in Oakland, California, suggested a "special department or agency for various products and services in the export sector where expertise is readily accessible for small businesses." A spokesman for an aluminum company in Bradenton, Florida, was more succinct: "Help us get together with foreign customers; the U.S. firm will take it from there."

Twenty-seven percent of these responses specifically suggested continuing or improving a variety of services offered by the Department of Commerce. The vice president of an international sales company in Spring Park, Minnesota, considers the Department of Commerce's services "very valuable." "Catalog fairs, trade fairs, agent distributor service and similar services should be expanded and promoted more actively to small businesses to make them aware of what is available."

But the manager of an exporting firm in Mountain View, California, had a different perspective and offered the following suggestions to improve the Department of Commerce's export services:

To make exports less frustrating, we feel the Department of Commerce should take the following actions:

1. Provide licenses in a more timely manner, and inform the exporter if a license will be delayed, and provide a time by which a decision will be made.
2. Perhaps it would help to implement a policy whereby any application not approved within 90 days is automatically considered denied. This would at least allow the exporter to make an appeal, or forget the sale.
3. Clarify the language of the Export Administration Regulations to clearly define what can and cannot be shipped to a given group of countries. That would provide the exporter with the knowledge necessary to avoid the waste of time and money attempting to sell to those countries.

A small businessman in Owatonna, Minnesota, suggested that the Department of Commerce give more general information in its World Traders Data Report because: "It sounds like a report by people who know nothing about business."

Nearly 21 percent of the responses specified the need for greater responsiveness by embassies and consulates. The perception that the employees in those offices were not as helpful as they should be was typified by the suggestions of the Chairman of the Board of a company in Reno, Nevada, who wrote that embassy staffs should be ordered "to be responsive to requests for assistance from small companies." The president of an equipment company in Lawndale, California, suggested that the government "utilize the commercial attaches at the embassies and consulates to generate potential buyer lists to be distributed in the U.S. monthly." The subscription fee would offset the cost," he wrote. He also recommended that these attaches be used "to generate lists of legitimate, honest import agents."

Others suggested improvements in the services of the Ex-Im Bank and the Foreign Credit Insurance Association. Easier and greater access to Ex-Im Bank loan programs to make small business more competitive with foreign suppliers, was the principal suggestion. Respondents also suggested the FCIA program be modernized and expanded to permit sales on open line, rather than on letters of credit.

The responses recommending improvement in the services of the Small Business Administration included a suggestion that the agency be streamlined to allow for quicker responses to a small business exporter's dynamic needs, as well as a recommendation for expansion of SBA services so that officials could issue export licenses when necessary.

Finally, a few participants recommended that foreign sales representatives be required to register at the embassies and that U.S. Customs Services be improved.

ESTABLISH RECIPROCAL TRADING ENVIRONMENT

Almost 9 percent of the responses to the "What Government Should Do" question suggested establishing a reciprocal trading environment.¹⁶ Table 2-F lists the different types of responses within this general category:

¹⁶ This 9 percent represents almost 14 percent of firms responding to the "What Government Should Do" question (121 firms).

TABLE 2-F

SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING
BROKEN DOWN BY GENERAL CATEGORIES

SPECIFIC CATEGORIES OF ESTABLISH RECIPROCAL TRADING ENVIRONMENT	# OF RESPONSES	% OF CATEGORY RESPONSES
GENERAL RESPONSE	73	57.48
EQUALIZE/REDUCE TARIFFS	47	37.01
REDUCE NON-TARIFF BARRIERS	4	3.15
MATCHING QUOTAS	3	2.36
TOTAL	127	100.00

The majority of this group cited the general need for reciprocity, suggesting that we treat other nations as they treat us. "Support free trade only on a reciprocal basis," wrote the president of a manufacturing company in Charlotte, North Carolina.

Over a third of the group specifically recommended equalizing tariffs to achieve reciprocity. The comments of the president of a firm in Paramount, California, were characteristic:

Establish parity between import and export duties. The import duties charged on goods and/or services going into a foreign country is a higher percentage than that charged on goods and/or services coming into the United States.

GET THE U.S. ECONOMIC HOUSE IN ORDER

Almost 3 percent of the responses to the "What Government Should Do" question recommended that the U.S. government get its own financial house in order.¹⁷ Table 2-G shows the different responses in this category.

¹⁷ This 3 percent represents almost 4 percent of all firms responding to the "What Government Should Do" question (42 firms).

TABLE 2-G

SUGGESTED GOVERNMENT ACTIONS TO STIMULATE EXPORTING
BROKEN DOWN BY GENERAL CATEGORIES

SPECIFIC CATEGORIES OF GET U.S. HOUSE IN ORDER	# OF RESPONSES	% OF CATEGORY RESPONSES
GENERAL RESPONSE	32	76.19
WORK TO IMPROVE BUSINESS CLIMATE	10	23.81
TOTAL	42	100.00

The vast majority of the responses reflect one or more of the recommendations made by a small business owner in Richmond, California:

Balance the budget. Reduce the inflation rate.
Eliminate waste in government. Collect unpaid
debts owed to the Treasury. Stop welfare fraud.
Reduce government restriction of large and small
business.

Others, citing the need for U.S. economic stability, called upon the government to take steps to improve the general business climate. The sales manager of a products firm in San Jose, California, suggested the need for "a change in attitude toward American small business. Let's start paying attention to the economic needs of our own country's business instead of placing so much attention on other countries' problems."

DON'T KNOW/REMOVE GOVERNMENT'S PRESENCE/DO NOTHING

While over 2 percent made no suggestion, another 2 percent of the responses to the "What Government Should Do" question thought the government should remove its presence from the marketplace altogether.¹⁸ The president of a power equipment firm in Youngstown, Ohio, wrote:

Basically, I believe the government should stay out of the free enterprise marketplace. Small business should be allowed to compete on the basis of product quality and marketing expertise with as little government interference and paperwork-type red tape as possible.

¹⁸ This 2 percent represents almost 3 percent of all firms responding to the "What Government Should Do" question (24 firms).

A small business executive in Orr's Island, Maine, had even less use for federal assistance. The government should "make itself very, very small," he wrote, "until it ceases to interfere in any way (positively or negatively) with small business, large business, the monetary system, and ordinary individual persons."

An additional 1 percent of the responses said the government should do nothing to increase or modify existing services.

COMMUNICATIONS

Almost 1 percent of the responses to the "What Government Should Do" question suggested actions to improve communications.¹⁹ Innovative suggestions ranged from a fee for translations to be charged by the Department of Commerce, to a proposal to set up a communications clearinghouse offered by a small business in Wilmington, Massachusetts:

Set up a Central Communication Center in the U.S. allowing small business to communicate with foreign accounts. This would eliminate us having to know each country's procedures. The Communications Center would relay all information to our customer through the U.S. Embassy and state the product of interest. The Embassy would then contact the Communication Center in the U.S. which would in turn notify manufacturers of interest.

¹⁹ This 1 percent represents over 1 percent of all those responding to the "What Government Should Do" question (12 firms).

SUMMARY

There were 2,739 responses that identified obstacles to exporting; only 1,448 responses (just over half as many) suggested government action to promote small business exports. In both cases, the top four categories accounted for over 70 percent of the responses, as follows:

Top Four "Obstacles to Exporting" (2,739 responses)

1. Lack of information	20.04%
2. Difficulties with regulations	17.45
3. Expenses incurred	17.16
4. Financing problems	15.74
	<u>70.39%</u>

Top Four "Suggested Government Actions" (1,448 responses)

1. Financing	26.17%
2. Provide information	16.09
3. Provide more outreach	14.57
4. Change and simplify regulations	14.23
	<u>71.06%</u>

Within the top four categories of "Obstacles to Exporting," those that do not require a direct outlay of money ("Lack of Information" and "Regulations") represented 37.5 percent of the total responses. Obstacles more directly associated with the receipt or outlay of money ("Expenses Incurred" and "Financing") represented 33 percent of the total responses. With respect to suggested government action, assistance with financing was the most recommended action, by 26.17 percent of the total responses. Suggestions not related to the direct outlay of money ("Information," "Outreach" and "Regulations") accounted for 44.89 percent of the total responses suggesting government action.

In general, the suggested government actions correspond with the actual and perceived obstacles to exporting reported by participants in the survey. However, there are some inconsistencies between what the respondents cited as problems and their prescriptions for remedying those problems.

In 549 responses, "Lack of Information" was cited as a major obstacle to exporting. After a further breakdown of the response, it became clear that the kind of information lacking was that which is the most basic to making any sale -- information on potential customers, agents, and markets. However, only 233 of the responses suggested that providing information was among the things the government should do to stimulate exporting. Over 63 percent of this group of 233, predictably, wanted the same kind of basic information that the larger group felt was lacking -- information in general or on foreign buyers in

particular. The numerical difference in information-related responses (549 believed it was a problem, only 233 felt government should provide information) may indicate an unstated sentiment that providing information on foreign buyers and markets is outside the bounds of activities the government should pursue, or at a minimum, a less important activity than government initiatives with regard to financing.

There is a different kind of inconsistency in the "Financing" category. Financing was ranked fourth among the obstacles to exporting, but was number one on the list of government actions needed. Of the 431 responses naming financing as an obstacle, 68 percent specified problems which could be associated with general small business activity, such as difficulty in getting payment, problems in getting credit, and inadequate capital. These are the types of problems which may be intensified by entering an unknown field like exporting, but which are not truly specific or unique to exporting itself. Only 21 of these 431 responses cited lack of tax incentives as an obstacle. Yet, when we came to "What Government Should Do" category, we find that over two-fifths of the respondents specifically asked for such financing assistance as tax incentives or export subsidies.

Tax incentives and subsidies may be a valid approach to the financing problems small businesses encounter regarding export sales. It is what small businesses say they want, if the questionnaire accurately reflects the entire community. However, tax incentives and subsidies may not be the only answer.

Two additional observations can be made. First, just over half as many suggested actions were received as obstacles cited. This could represent a reluctance to suggest government action or a reflection of the fact that problems are often more apparent than solutions. Second, the suggestions for providing information and outreach could represent a lack of awareness that the government already provides some of these services.

Finally, it is worth noting that over two-thirds of small businesses responding to the questionnaire indicated support for government action to stimulate exporting. Certainly this shows, albeit somewhat indirectly, that small business believed that the government has a valid and useful role to play in stimulating our nation's businesses to participate in the field of exporting.